

## Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 EB-08 L-03 SSO-00 AGRE-00 AID-05

INRE-00 CIAE-00 INR-07 NSAE-00 OPIC-03 /037 W

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O 011245Z SEP 77

FM AMEMBASSY NOUAKCHOTT

TO SECSTATE WASHDC IMMEDIATE 8036

USDOC WASHDC

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COMMERCE FOR MAJOR PROJECTS

E.O. 11652: N/A

TAGS: BENC, ECRE, EAID, BEXP, MR

SUBJECT: LANG/PRITCHARD SUGAR REFINERY PROJECT

REF: NOUAKCHOTT 2007

1. GIRM MINSTATE FOR INDUSTRY MOHAMMADEN OULD BABBAH CONVOKED ME MIDAFTERNOON AUGUST 31 (ON 90 MINUTE NOTICE) TO APPRISE ME OF LATEST DEVELOPMENTS IN LANG/PRITCHARD SUGAR REFINERY SAGA, TO OUTLINE GOVERNMENT'S STIFF NEW POLICY TOWARD U.S. FIRM, AND TO REQUEST I COMMUNICATE CRUX OF GIRM'S NEW APPROACH (U.S. FIRM MUST LIVE UP TO ITS CONTRACTUAL RESPONSIBILITIES IN FULL, NO MORE EXTRA-CONTRACTUAL ACCOMODATION OF L/P'S DESIRES/ NEEDS BY GIRM OFFICIALS) AND IMPRESS UPON ALL LEVELS OF COMPANY ABSOLUTE NECESSITY OF MEETING THEIR OBLIGATIONS.3

2. AFTER 20 MINUTE, NO-NONSENSE PRESENTATION OF GIRM'S NEW TOUGH ATTITUDE, MINISTER INFORMED ME IMMEDIATE CRISIS HAD BEEN EASED BY RECEIPT MINUTES BEFORE MY ARRIVAL OF L/P TELEX REPORTING INSURANCE COVERAGE ON REFINERY HAD BEEN EXTENDED FOR INDEFINITE PERIOD.

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3. FOLLOWING QUOTES OUTLINE MINISTER'S POSTION AND GIVE FLAVOR OF HIS APPROACH: (A) GIRM AGREED TO FOUR REVISIONS OF CONTRACT, DOUBLING OF PROJECT PRICE, AND IN RESPONSE COMPANY INSTRUCTION URGENTLY PURCHASED RAW SUGAR WHICH HAS SAT UNUSED FOR TEN MONTHS. (B) GIRM CONTRACTED FOR FINISHED REFINERY MEETING PRECISE SPECIFICATIONS. EXISTING INSTALLATION IS CONSTRUCTION SITE NOT REFINERY; IT BELONGS TO L/P NOT GIRM. THEREFORE, GIRM WILL NOT

ACCEPT KEYS. WHETHER REFINERY IS INSURED OR NOT IS L/P'S AFFAIR AND L/P'S RESPONSIBILITY. (C) GIRM CONSIDERS L/P DECISION TO PULL OUT REMAINING MEMBERS OF START UP TEAM "UNILATERAL BREAKING OF CONTRACT". (D) MINISTER LEARNED OF PLANNED DEPARTURES FROM TRAVEL AGENCIES. HE DOES NOT WANT L/P STAFF TO DEPART; HE WANTS ALL TO KNOW THAT HE COULD PREVENT THEIR LEAVING MAURITANIA; BUT HE PREFERS U.S. AMBASSADOR TAKE STEPS TO INSURE EMPLOYEES REMAIN. (E) COMPANY SHOULD ALSO REMEMBER THAT CONSTRUCTION SITE (AND PRESUMABLY HOUSING AREA AS WELL) "UNLIKE U.S. EMBASSY DOES NOT RPT NOT ENJOY DIPLOMATIC IMMUNITY". (F) "THERE IS NOTHING PERMANENT OR PREDICTABLE" IN GIRM'S RELATIONSHIP WITH L/P. MINISTER WANTS RELATIONSHIP WHICH IS CLEAR, PRECISE, AND DEFINITE. HIS PREDECESSOR WAS MUCH TOO FLEXIBLE, MUCH TOO WILLING TO ACCOMMODATE COMPANY. BABBAH INTENDS SHARP CHANGE IN STYLE. "L/P'S SYSTEM OF BLUFF, RUSE, AND BLACKMAIL" WILL NO LONGER BE EFFECTIVE OR ACCEPTED. GIRM IS UNHAPPY WITH L/P'S CONDUCT OVER PAST 4-5 YEARS; WANTS NO MORE OF IT; MINISTER IS FED UP. "L/P HAS EXHAUSTED ALL POSSIBILITIES OF ACCOMMODATION-ARRANGEMENT-FLEXIBILITY". (G) NEVERTHELESS, GIRM CONTINUES TO HAVE GOOD WILL TOWARD COMPANY AND DESIRES TO WORK WITH COMPANY ON PUTTING REFINERY INTO COMMERCIAL OPERATION (ALWAYS PROVIDED COMPANY LIVES UP TO ITS RESPONSIBILITIES).

4. TO SET RECORD STRAIGHT (AND MAKE SURE NEW MINISTER WAS AWARE OF AMERICAN VIEW OF FACTS); I POINTED OUT: (A) CONTRACT IS BAD DOCUMENT: SOME CLAUSES ARE TECHNICALLY CONTRADICTIONARY OTHERS ARE LIMITED OFFICIAL USE

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INCONSISTENT WITH CURRENT COMMERCIAL REALITIES. (B) PRICE DOUBLING REFLECTS POST-CONTRACT UP-GRADING OF REFINERY CAPACITY AND PRODUCT QUALITY (BOTH VERY COSTLY) AND WORLDWIDE INFLATION OF INDUSTRIAL PRICES 1972-1977. IT IS NOT RPT NOT RESULT OF DISHONESTY. (C) SERIOUS MISTAKES HAD BEEN MADE AT OUTSET WHICH HAVE NOW "COME HOME TO ROOST": GIRM NEVER CARRIED OUT OR COMMISSIONED COMPLETE TECHNICAL AND ECONOMIC FEASIBILITY STUDY, AND SIGNED CONTRACT WITH BUILDER MONTHS BEFORE HIRING ITS CONSULTING ENGINEER. (D) FINAL SPECS FOR PLANT WERE NOT AGREED UPON UNTIL SPRING 1975 (FACT BABBAH CLEARLY WAS NOT AWARE OF); THUS 1972 BID PRICE HOWEVER ARRIVED AT IS TOTALLY IRRELEVANT. (E) CONTRACT-STIPULATED ONE DAY HAND OVER OF KEY BY BUILDER TO CLIENT MAY PERHAPS MAKE SENSE IN MINISTER'S ANALOGY OF CONSTRUCTION OF NEW HOUSE, BUT IT MAKES NONE AT ALL WHEN NEW FACILITY IS COMPLEX INDUSTRIAL PLANT. (F) L/P HAS BUILT GIRM FIRST CLASS REFINERY. PROBLEMS WHICH EXIST ARE MANAGERIAL, FINANCIAL, RELATIONAL -- NOT RPT NOT TECHNICAL. (BABBAH ACKNOWLEDGED L/P PLANT IS BEST BUILT REFINERY IN WHOLE REGION.) (G) AFTER ASSURING MINISTER I WOULD CONVEY HIS MESSAGE AND DO MY BEST TO KEEP COMPANY ON TRACK, I REQUESTED HIM TO TAKE PERSONAL LOOK AT SOSUMA AND DO NECESSARY TO TRANSFORM IT FROM ORGANIZATION WHICH EXISTS LARGELY ON PAPER TO FUNCTIONING ENTITY AND APPROACH OF SOSUMA PERSONNEL FROM DISIN-

TEREST, LET-JOHN-DO-IT INTO CAN DO/WILL DO SPIRIT REQUIRED IN MODERN INDUSTRY. (H) NOTED ENGINEERS AND TECHNICIANS WHO HAD DESIGNED AND BUILT REFINERY HAD INTENSE PROFESSIONAL PRIDE IN THEIR WORK, WANTED PLANT TO PRODUCE AND TO INSURE MAURITANIANS COULD OPERATE AND MAINTAIN IT.

5. IMMEDIATELY BRIEFED L/P START UP CHIEF KAMP ON SESSION WITH MINISTER. KAMP REPORTED MINISTER HAD EARLIER REQUESTED L/P TO GET PRESIDENT OLIPHANT TO NOUAKCHOTT ASAP TO NEGOTIATE NEXT STEPS. KAMP HAD JUST REACHED KANSAS CITY (VP BRAMPTON) ON TELEX AS I LEFT SITE.

6. CRISIS MAY HAVE EASED, BUT PROBLEM REMAINS. GIVEN GIRM'S NEW INSISTENCE ON L/P RESPONSIBILITY AND PERFORMANCE AND COMPANY'S LIMITED OFFICIAL USE

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UNWILLINGNESS TO PUT ANY MORE MONEY IN NOUAKCHOTT PROJECT, THERE APPEARS TO BE VERY LITTLE ON WHICH TO BUILD START-UP PROGRAM. I WILL CONTINUE TO URGE ALL AVAILABLE SENIOR GIRM OFFICIALS TO CONCENTRATE ON PRESENT "GIVENS", WORK OUT PROGRAM WITH L/P TO GET REFINERY INTO COMMERCIAL PRODUCTION ASAP, AND POSTPONE CONTRACT BATTLES, CLAIMS AND RECRIMINATIONS UNTIL AFTER PLANT IS OPERATING. DEPARTMENT MAY WISH TO PASS ABOVE TO OLIPHANT WHO IS IN HOUSTON TODAY MEETING WITH ISC OFFICIALS.

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